

# CORPORATE UPDATE

FOR CLIENT CIRCULATION ONLY

No. 05/05

21<sup>st</sup> June, 2005

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## INCOME TAX

### I. Amendments in Tax Return Forms

CBDT has modified the following Tax return Forms vide its **Notification No 160/2005 dtd 1st June 2005** :

**Form 1-** Tax return form for Corporate assesseees other than those claiming exemption u/s 11;

**Form 2-** Tax return form for Non Corporate assesseees not claiming exemption u/s 11 and having income from business and profession.

**Form 2D-** SARAL-Tax return Form for Non Corporate assesseees other than persons claiming exemption u/s 11.

**Form 3A-**Tax return Form for Persons including Companies claiming exemption u/s 10 or 11.

Further Tax return **Form No 3**,prescribed for Non Corporate assesseees not claiming exemption u/s 11 and not having income from Business or profession ,has also been modified by CDBT vide its **Notification No 159/2005 dtd 1st June 2005**.

### II. DTAA between India & Slovenia, Notified

The Agreement between Govt. of Republic of India and the Govt. of Republic of Slovenia for the avoidance of double taxation and prevention of fiscal evasion with respect of taxes

on income has come into force on the 17<sup>th</sup> day of February, 2005.

Now in exercise of powers conferred by Section 90 of the Income Tax Act, 1961, the Central Govt. has notified all the provisions of the said agreement vide Notification no. 157/2005, dated 31.05.2005.

The provisions of the treaty shall take effect in India in respect of income derived in the financial year beginning from 01.04.2006.

### **III. Section 80HHC - Clarifications**

The CBDT has issued a clarifiatory letter [letter F.No. 178/32/2002 – IT(A-1)] dated 12.04.2005 in relation to the claim of deduction under section 80HHC in respect of profits from sale of DEPB scrips which is under examination.

The details of the letter are as follows:-

1. All the Assessing Officers have been directed to keep all assessments and recovery proceedings in abeyance till 30.06.2005, relating to assessments reopened specifically to reassess the claim for deduction u/s 80HHC.

2. However, notices u/s 148 may be issued wherever necessary but all the other proceedings following the issue of notices should be kept in abeyance. Where cases are getting time barred on or before 30.06.2005, the assessment proceedings may continue, however, recovery proceedings should be kept in abeyance till 30.06.2005.

## **VALUE ADDED TAX**

### **Interest Rates - Delhi VAT**

The Lt. Governor of Delhi has vide Sales Tax Notification No. F.101(327)/2005 – Fin. A/CS(i) 301 and F.101(327)/2005 – Fin. (A/cs) (ii)/312 dated 25.04.2004 notified the following interest rates under Delhi VAT Act, 2004.

- a. 15%:Charged from assessee who has defaulted in making payment , penalty or any other amount under due under the Act.
- b. 8% :paid to an assessee entitled to a refund under the Act.

**FEMA**

**Liberalisation in Overseas Investment**

The ceiling for overseas investments by Indian entities has been raised from 100% of the net worth to 200% of the net worth of the investing company. The circular giving directions to all authorized dealers is reproduced below for information:

RBI/2005/463  
A.P. (DIR Series) Circular No. 42

May 12, 2005

To  
All Banks Authorisd to Deal in Foreign Exchange

Madam/Sirs,

**Overseas Investment: Liberalisation**

1. Attention of authorized dealer (AD) banks is invited to Regulation 6 of the Notification No. FEMA. 120/RB-2004 dated July 7, 2004 in terms of which an Indian entity is permitted to invest upto 100 percent of their net worth in overseas Joint Ventures and/or wholly owned subsidiaries (JV/WOS) in any bonafide activity under automatic route.

2. With a view to promoting Indian investment abroad and to enable Indian companies to reap the benefits of globalisation, it has been decided to raise the above ceiling from the present 100 per cent of the net worth to 200 per cent of the net worth of the investing company. Accordingly, under the automatic route for overseas investment, eligible Indian entities are now permitted to invest in overseas in JV/WOS upto 200 per cent of their net worth. All other provisions of the Notification mentioned above applicable to such investment

shall remain unchanged. It is further clarified that the ceiling is not applicable to the investments made out of balances held in EEFC accounts and out of the proceeds of ADR / GDR issue, as hitherto.

3. AD banks may, accordingly, allow remittances under automatic route upto 200 per cent of the net worth as on the date of the last audited balance sheet of the investing companies, after considering the proposals received in form ODA.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of any foreign security) Regulations, 2004 are being issued separately.

5. AD banks may bring the contents of this Circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999), and is without prejudice to permission / approvals, if any, required under any other law.

**Yours faithfully,**

**(Vinay Baijal )  
General Manager-in-Charge**

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**MISCELLANEOUS**

**Notification of Banking Cash Transaction Tax (BCTT) Rules, 2005**

The Central Govt. on 30<sup>th</sup> May, 2005 notified (Vide notification no. S.O. 737(E)) BCTT Rules, 2005. These rules lay down

guidelines for scheduled banks on maintenance of particulars of taxable banking transactions, manner of payment of BCTT, furnishing of monthly statements and returns etc.

## **DATES TO REMEMBER**

1. The last date for filing of annual TDS returns relating to financial year 2004-05 in Form No. 24 and 26 is 30<sup>th</sup> June, 2005.
2. The last date for filing TDS Statements for the quarter April, 2005 to June, 2005 is 15<sup>th</sup> July, 2005.
3. Advance Fringe Benefit Tax for the quarter April, 2005 to June, 2005 is to be deposited by 15<sup>th</sup> July, 2005.